

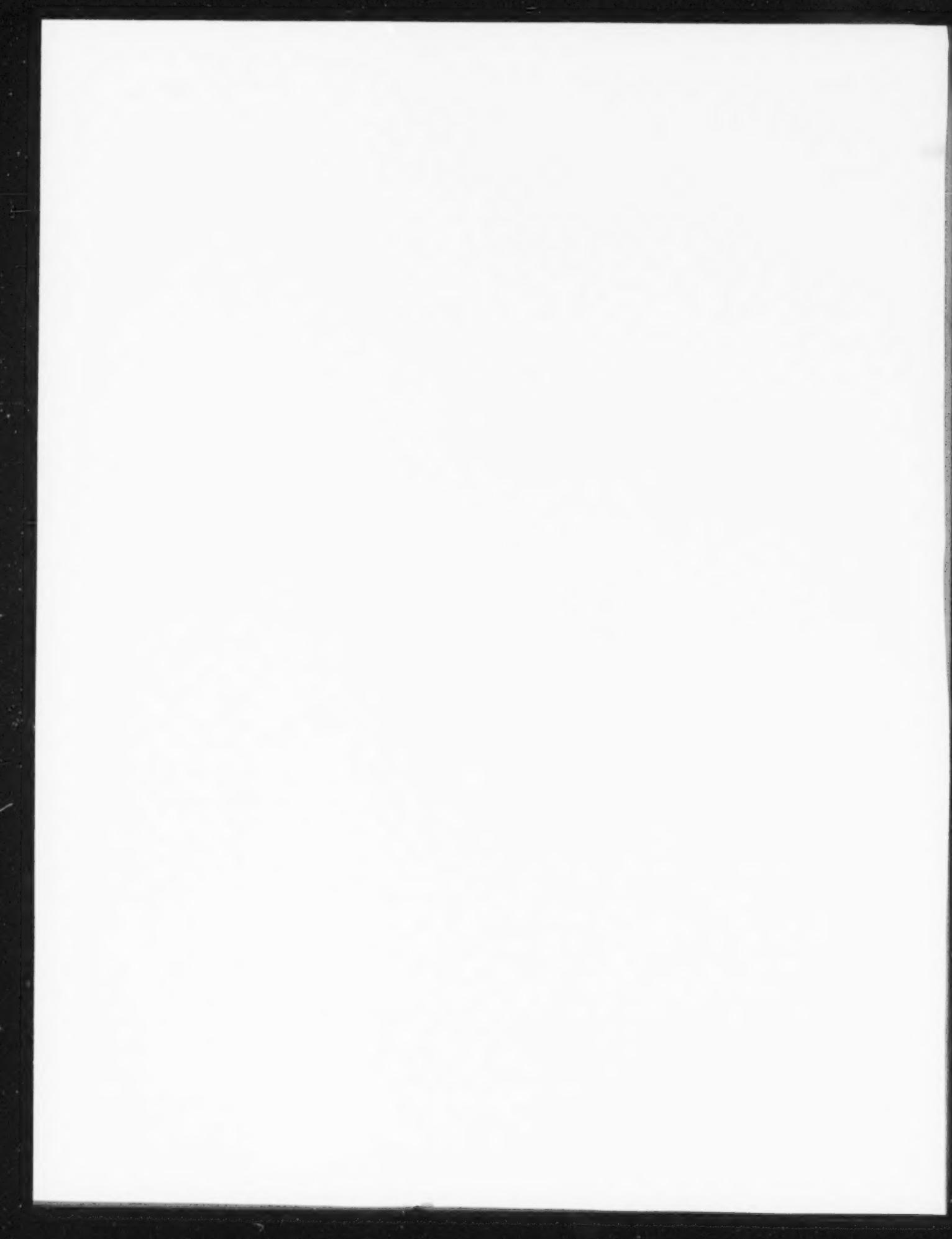
Living within our means

Back To
BALANCE

Year 2 of the Four-Year Plan
2011-12

The Honourable Graham Steele
Minister of Finance







Getting Back to Balance

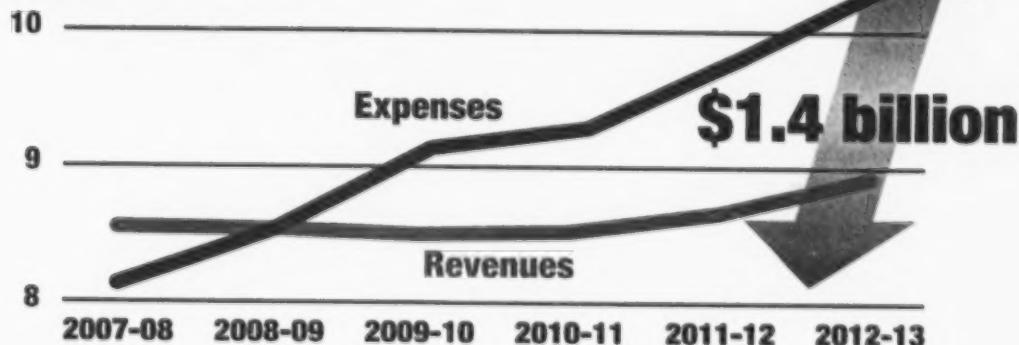
One year ago the province began its journey back to balance.

The spring budget will mark the start of Year 2 of our Four-Year Plan. We're seeing real progress. Now we want to check back with you, to see if you believe we're still on the right path.

Getting Back to a Sustainable Path

When the government changed in 2009, the province was on an unsustainable path. We were facing a deficit of \$1.4 billion and a debt of \$16 billion within three years—if we continued with government as usual.

Funding Gap

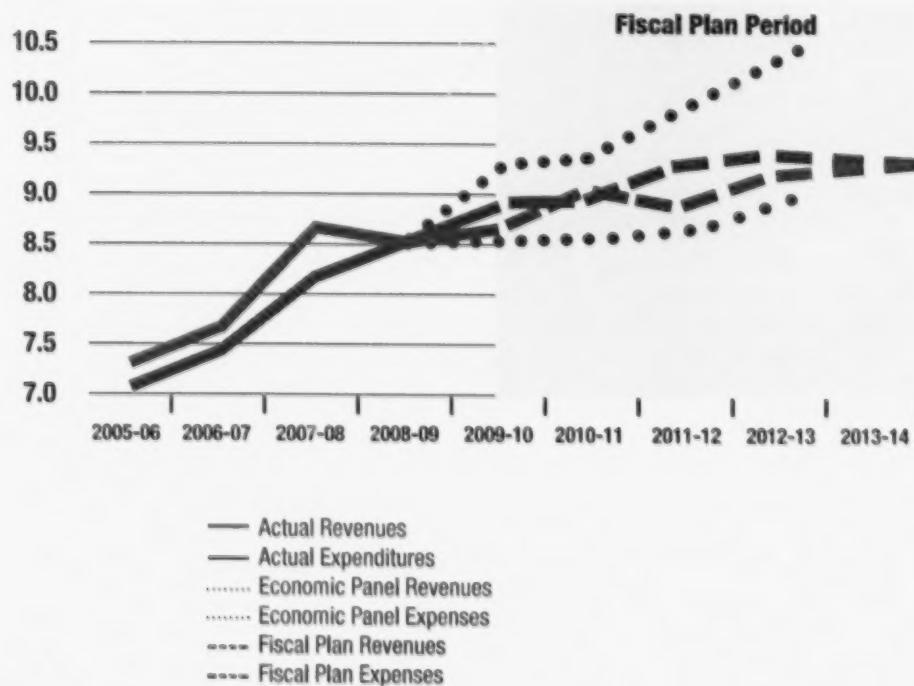


In January 2010, the most extensive financial consultation in the province's history began. The Back to Balance tour involved 19 separate public meetings across the province. Fifteen hundred people attended in person, and we received about 1000 written submissions.

With your help, we were able to identify the core values and priorities that you wanted us to use in addressing our fiscal challenges. What we learned formed the backbone of the April 2010 budget, in which we laid out our four-year plan.

Among other things, you told us that returning to balance in three to five years was reasonable. Any faster, and we might too drastically impact the delivery of programs in health, education and transportation, to name a few. Any slower, and we risked further weakening your government's financial position and our ability to deliver services over the long term.

**Our finances were on an unsustainable path
We will achieve sustainable balance in 2013**





Making Progress

We still have a big funding gap to close. We are making progress, but much more work needs to be done.

The tools we can use to close the gap haven't changed. The province has to reduce the amount of money it spends, increase the amount of money it takes in, and help grow the economy over the long term.

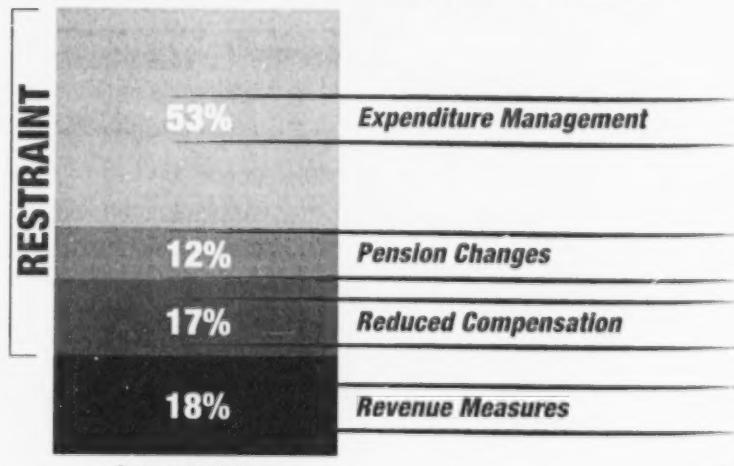
We have increased revenues through the restoration of the HST to 15 per cent. That added about \$215 million in additional revenues in 2010-11. At the same time, we protected those with low or modest incomes by creating the Affordable Living Tax Credit. The credit offsets the restoration of the HST and provides a refundable tax credit payment every quarter, for those earning under \$30,000. In 2011-12, this credit is expected to put \$70 million back into the hands of Nova Scotians.

We also established new exemptions—for children's clothing and shoes, and for feminine hygiene products.

Spending reductions

Based on what we heard from the Back to Balance tour, we are reducing spending by \$4 for every \$1 in new revenue.

**For every
\$1 in
revenue,
there is
\$4 in
restraint**

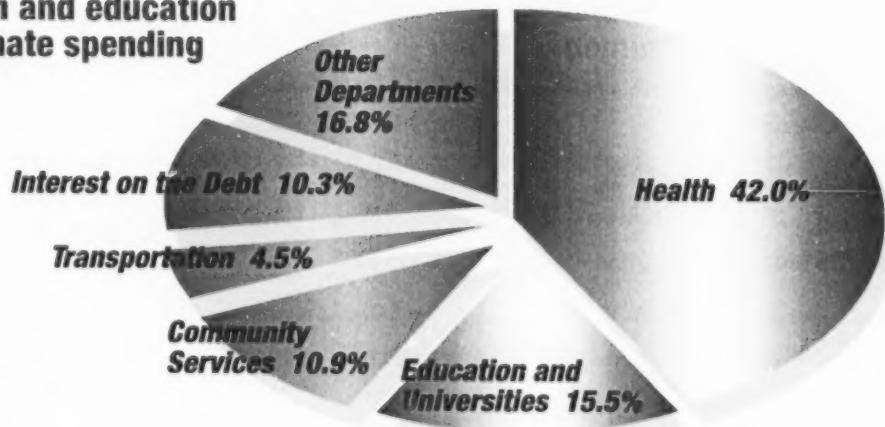


Already, we have restrained public sector wages, and reformed the public service pension plan. Public sector wage restraint will save \$250 million. Pension reform will save over \$160 million. In 2010-11, departmental budgets were reduced, saving another \$50 million.

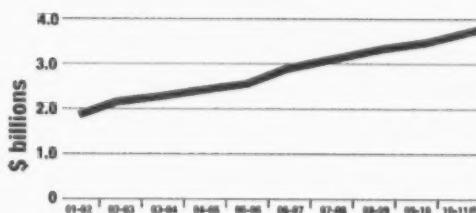
There is more work to do on the spending side. To meet our targets, we have to find an additional \$772 million in savings over four years. Restraint totalling \$252 million is required next year, which is Year 2 of the four-year plan.

Everyone, and every part of government, must contribute. Nothing is exempt. Given that health and education dominate government spending, it makes sense that these sectors are where the largest savings are to be found.

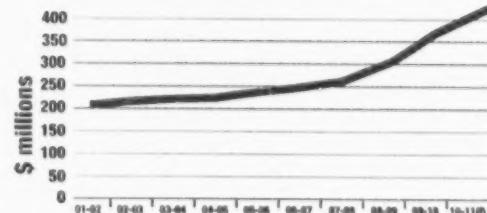
Health and education dominate spending



Increase in health costs over ten years

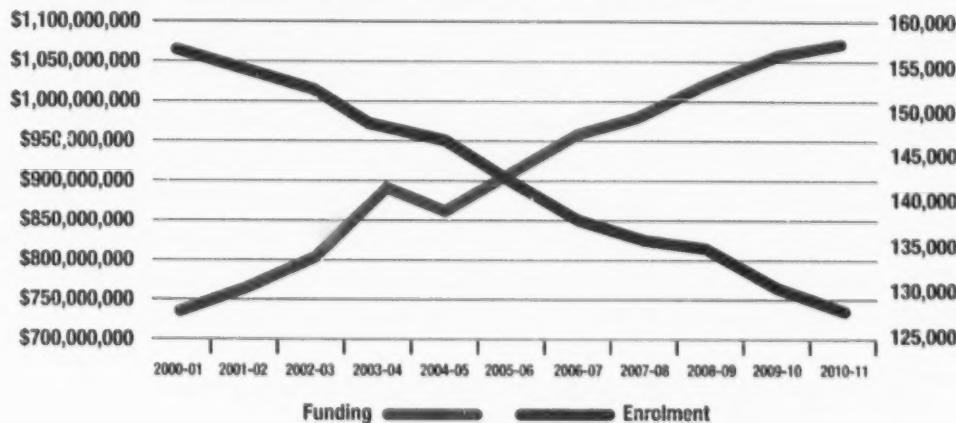


Increase in university funding over ten years



In education, the fact is student enrolment is dropping by about 3,000 students each year, while spending keeps rising. Clearly this pattern is not sustainable.

Enrolment is dropping, but spending keeps rising



Spending on health care has doubled in ten years. In fact it makes up more than 42% of our total provincial budget. Yet, our health isn't necessarily better. We have some of the highest rates of cancer and chronic disease in Canada. Our population is aging, which means even more demands on our health care system in the future.

Clearly, we have to change the way we deliver services. These systems cannot be sustained over the long term at these levels of spending growth.

Health is a complex, expensive system



Growing the Economy

Over the last 20 years, Nova Scotia's economic growth has been the lowest in Canada. We have to change that. That's what Jobs-here is designed to do. This economic strategy focuses on three key priorities: growing the economy through innovation; helping businesses compete; and learning the right skills for good jobs. The strategy positions Nova Scotia to compete and succeed in the global marketplace. If you want to learn more, go to

www.gov.ns.ca/jobshere

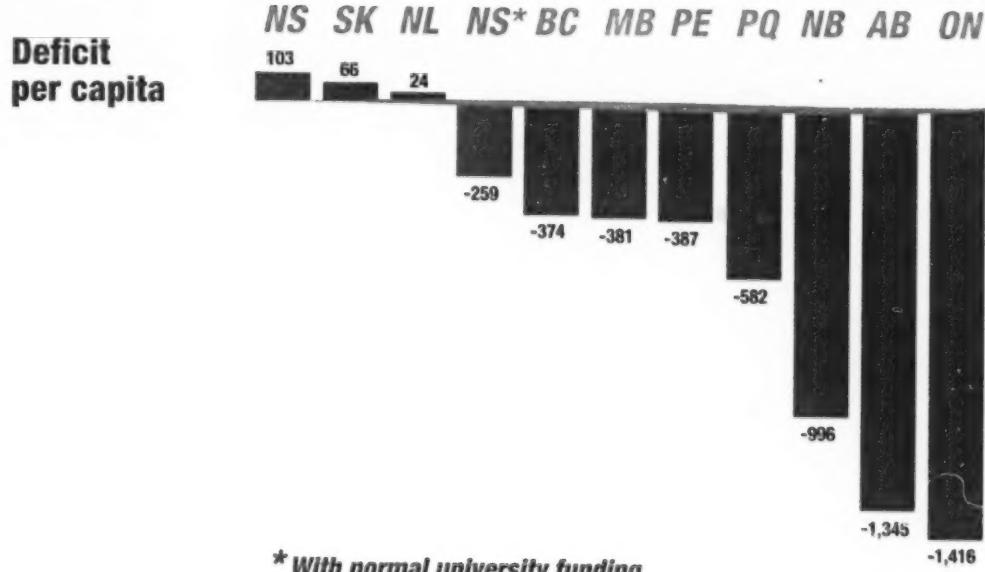


It's Working

Our plan is working. We are on target. Our finances now compare favourably to other provinces.

But there is still work to do. The next budget will continue on the path back to balance, as laid out in our four-year plan.

It's working: Our finances compare well to other provinces



Share your ideas!

While the province's outlook has improved, it remains fragile. That's why your input is needed once again.

Is the province on the right path in getting back to balance?

Do you agree that this year's Budget should focus on spending restraint and economic growth?

Do you agree that the spending reduction targets are reasonable?

Do you agree the province is striking the right balance between taxes and services?

You can share your views, or obtain more information, by going online. Visit the Department of Finance website at
www.gov.ns.ca/finance/backtobalance

You can e-mail your thoughts to **backtobalance@gov.ns.ca**

Or, mail your views to:

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